FORM GEN. 160

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0220-05762-0006

Date: December 21, 2020

To: Crista Binder, Chief Deputy Controller

Attn: Min Chen, Financial Management Specialist V
Teresa Kyu Li, Principal Accountant II
Michelle Le, Senior Accountant II
Office of the Controller

From: Yolanda Chavez, Assistant City Administrative Officer
Office of the City Administrative Officer

Subject: **REQUEST TO ESTABLISH A NEW "STATE HOMEKEY PROGRAM OPERATING SUBSIDY" FUND (C.F. 20-0941)**

In August 2020, the Mayor and City Council approved amended recommendations from the City Administrative Officer (CAO) relative to the State of California's Housing and Community Development Department (HCD) Project Homekey Program Notice of Funding Availability (Homekey NOFA) (C.F. 20-0941). These recommendations authorized the City, with the Housing Authority of the City of Los Angeles (HACLA) as the lead applicant, to apply for a State Homekey NOFA match of up to $133,444,175 to acquire 16 properties with 842 units and up to $11,791,500 in operating subsidies.

To date, HACLA and the City have been awarded funding to acquire 14 sites, as well as operating subsidies from the State Homekey NOFA Program. Homekey NOFA awards will subsidize a portion of the first two (2) years services and operations costs. The City will distribute funds to the Los Angeles Homeless Services Authority (LAHSA) through a funding agreement with the Housing and Community Investment Department (HCID) to manage the subcontracts with the selected Owner/Operators of at least 11 sites. As the lead applicant for the Homekey NOFA, HACLA will receive the operating funds from HCD and disperse a portion of these funds to the City for this purpose.

On October 21, 2020, the Mayor and Council approved amended recommendations in a CAO report detailing the Homekey NOFA awards described above. Pursuant to amended Recommendations 8 and 9 of this report, please establish a new interest-bearing fund entitled "State Homekey Program Operating Subsidy" (C.F. 20-0941). This Fund shall be used to receive and disperse authorized Homekey NOFA funds to LAHSA through HCID to fund a portion of Owner/Operator contracts with LAHSA, as authorized by the Mayor and Council. At the close of each fiscal year, monies not expended from the Fund shall remain in the Fund and shall not revert to the Reserve Fund.

Should you have any questions, please contact Elyse Matson of my staff at (213) 473-7460.

Attachment: Adopted amended recommendations to CAO Report dated October 21, 2020

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MOTION

I **MOVE** that the matter of the Statutory Exemption, Communications from the City Administrative Officer (CAO) and Bureau of Engineering, and Resolutions relative to the Homekey Program Notice of Funding Availability, and acquisition of 10 Homekey Properties, Item No. 38 on today's agenda (Council Files: 20-0941, 20-1008), **BE AMENDED** to adopt the following recommendations in lieu of those on the Council agenda, as follows:

That the City Council, subject to approval by the Mayor:

1. DETERMINE that this project/the purchase of the properties listed in Attachment 1, are statutorily exempt under the Public Resources Code Section 21080(b)(4) as a specific action necessary to prevent or mitigate an emergency as also reflected in the California Environmental Quality Act Guideline section 15269(c) Health & Safety Code section 50675.1.2 (AB 83) applicable to any project funded from the 2020 Budget Act or any related acts, including the Coronavirus Relief Fund by the federal CARES Act, with funds disbursed in accordance with the Multifamily Housing Program for the acquisition of motels and hotels to be used as Homekey Program shelters; as set forth in the Notice of Exemption, attached to this Council file;

2. AUTHORIZE the purchase of the properties listed in Attachment 1 by the Housing Authority of the City of Los Angeles on behalf of the City of Los Angeles;

3. APPROPRIATE up to $42 million of the $150 million reserved for successful Homekey Program applications to the COVID-19 Federal Relief Fund No. 63M, Department 10, Account No.10 TXXX, Matching Funds for Homekey Program Applications to purchase the properties on Attachment 1, contingent on final appraisals, and for the cost for real estate and property management services provided by the Housing Authority of the City of Los Angeles;

4. AUTHORIZE the Controller to wire the funds, outlined below as properties are scheduled to close escrow, directly to the Commonwealth Land Title Company, 888 South Figueroa Street, Suite 2100, Los Angeles, CA 90017. The estimated closing costs include, architectural, permit, broker's, and escrow and closing fees, environmental assessments, property taxes, appraisals, physical needs assessments, insurance and HACLA administrative fees.

#	Site	CD	Units	City Match	Estimated Closing Costs	Total Estimated Cost to the City
1	Solaire Hotel	1	91	$4,238,814	$511,914	$4,750,728
2	Howard Johnson	3	75	$4,532,777	$483,926	$5,016,703
3	Econo Motor Inn	6	59	$2,044,864	$462,760	$2,507,624
4	Panorama Inn	6	51	$2,453,543	$435,971	$2,889,514
5	EC Motel	8	31	$1,013,635	$243,189	$1,256,824

6	Best Inn	10	23	$744,957	$204,963	$949,920
7	Travelodge*	12	76	$15,600,000	$600,412	$16,200,412
8	The Nest	13	41	$1,427,267	$252,628	$1,679,895
9	Titta's Inn	14	49	$1,689,344	$289,950	$1,979,294
10	Travelodge	15	40	$3,034,824	$404,165	$3,438,989
	Total		**536**	**$36,780,025**	**$3,889,878**	**$40,669,903**

5. AUTHORIZE the purchase of the Homekey property in Council District 15 listed in recommendation 4 above at no more than three (3) percent above the appraised value;

6. AUTHORIZE the City Administrative Officer or designee, to negotiate and execute escrow documents, covenant/regulatory agreements, and any other documents necessary to implement the Homekey Program purchases listed in Recommendation 4 subject to the approval of the City Attorney as to form;

7. ADOPT the authorizing resolutions, Attachment 2 of this report, as required by the State of California Department of Housing and Community Development to purchase the 10 Project Homekey Program sites;

8. AUTHORIZE the City Administrative Office or designee to accept Homekey awards and execute the State of California Department of Housing and Community Development Standard Agreements for these awards;

9. AUTHORIZE the Controller to:

    a. Establish a new Special Fund entitled, "State Homekey Program Operating Subsidy," within Department No. 10, to receive and disburse the State Homekey operating subsidy to support interim operating and service costs at Homekey sites;
    b. Create appropriation accounts, account numbers to be determined; and
    c. Upon receipt of State funds, increase the appropriation within the newly created Special Fund.

10. AUTHORIZE the payment of up to $1.33 million to the Housing Authority of the City of Los Angeles (HACLA) for Homekey grant, property management and real estate services related for the acquisition of the Homekey properties as outlined in the Professional Services Agreement to be executed between HACLA and the City, and not covered in the estimated closing costs in Recommendation 4 above;

11. APPROVE up to $22 million in Emergency Solutions Grants (ESG) – COVID for operations costs, including services, for the first two (2) years of operation, December 1, 2020 – June 30, 2022;

12. DIRECT the General Manager of the Housing and Community Investment Department (HCID) or designee, to develop the Emergency Solutions Grants (ESG) – COVID

Consolidated Plan amendment and post for public comment immediately following the approval of this report;

13. INSTRUCT the General Manager of the Housing and Community Investment Department (HCID) or designee, to amend the necessary contract with the Los Angeles Homeless Services Authority for the Emergency Solutions Grants (ESG) – COVID for Homekey sites operations;

14. APPROVE the allocation of up to $20 million, pending final appraisal and close of escrow of by December 30, 2020, to the Volunteers of America Los Angeles to purchase the site at 6800 Avalon Blvd, Los Angeles, California 90003-1922;

15. APPROPRIATE up to $20 million of the $150 million reserved for successful Homekey Program applications to the COVID-19 Federal Relief Fund No. 63M, Department 10, Account No. 10TXXX, Matching Funding for Homekey Program Application to purchase the property at 6800 Avalon Blvd, Los Angeles, California 90003-1922, contingent on the final appraisal and close of escrow by December 30, 2020;

16. AUTHORIZE the Controller to wire up to $20 million at close of escrow, directly to the Volunteers of America Los Angeles escrow company for the purchase of the property at 6800 Avalon Blvd, Los Angeles, California 90003-1922;

17. REQUEST that the City Attorney work with the City Administrative Officer to determine appropriate service repayment loan and/or other documents to record on the property at 6800 Avalon Blvd, Los Angeles, California 90003-1922, at close of escrow;

18. AUTHORIZE the City Administrative Officer to enter into any necessary agreements with the Volunteers of America Los Angeles to effectuate the transfer of up to $20 million for the purchase of the site at 6800 Avalon Blvd, Los Angeles, California 9003-1922;

19. AUTHORIZE the Office of the City Administrative Officer to amend its contract with the Los Angeles County Department of Health Services (DHS) for real estate services to monitor alterations at Project Homekey sites;

20. REQUEST that the Los Angeles Homeless Service Authority (LAHSA) transfer ESG-CV funds in the amount of $117,500.00 to the City Administrative Officer to fund these activities through the Los Angeles Department of Health Services (DHS);

21. INSTRUCT the City Administrative Officer to enter into a Memorandum of Understanding with Los Angeles Homeless Services Authority on the use and disbursement of these funds;

22. AUTHORIZE the City Administrative Officer to work with the Housing Authority of the City of Los Angeles to assess additional properties that can be purchased with the balance of the $150 million reserved within the COVID-19 Federal Relief Fund No. 63M,

Department 10, Account No.10 TXXX, Matching Funds for Homekey Program Applications Homekey Program, without a match from the State of California Homekey Program, if these properties can close by December 30, 2020; and

23. AUTHORIZE the City Administrative Officer to prepare Controller instructions or make necessary technical adjustments, including to the names of the Special Fund accounts recommended for this report, consistent with the Mayor and Council action in this matter, and authorize the Controller to implement these instructions.

PRESENTED BY: _____
NURY MARTINEZ
Councilmember, 6th District

SECONDED BY: _____

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October 21, 2020